ISSN 2368-8874

Finances Québec

INFORMATION BULLETIN

April 29, 2016 2016-4

CHANGES TO THE TAX ON LODGING SYSTEM

The government set up a tourism partnership fund to strengthen and sustain the promotion and development of Québec tourism. The fund is financed in part by a tax on lodging applicable to each accommodation unit rented in a sleeping-accommodation establishment located in a tourist region of Québec that makes such a request to the government through its regional tourism association (RTA).

The revenues generated by this tax, after deduction of its administration costs, are remitted to the RTAs of participating regions, and the amounts thus remitted are used in accordance with the terms and conditions agreed in a memorandum of understanding between the Ministère du Tourisme and these RTAs.

Currently, RTAs that want the tax on lodging to apply in their territory can choose between a specific tax of $2 or $3 per overnight stay or an ad valorem tax of 3% of the price of each overnight stay.

When the new tourism business and governance model was unveiled in October 2015, the government announced that its responsibilities with respect to promoting Québec tourism on external markets would be assumed by a new body composed exclusively of representatives from the various sectors of the tourism industry.

Given that RTAs will be expected to contribute to the financing of the new body, they have agreed with the government to make changes to the tax on lodging system to facilitate their contribution. To that end, it was therefore agreed that, as of November 1, 2016:

— the lodging tax base will be broadened to include establishments belonging to the "educational establishments" class and ready-to-camp units belonging to the "camping establishments" class, provided for in paragraphs 8 and 9, respectively, of section 7 of the *Regulation respecting tourist accommodation establishments*;

— the rate of the tax on lodging will be standardized to 3.5%, namely, the tax applicable rate in the Montréal tourist region until January 31, 2025, which, consequently, will be maintained at 3.5% even after that date.

Thus, as of November 1, 2016, RTAs that would like the tax on lodging to be imposed in their territory will be left with a single option, that is, the application of an ad valorem tax of 3.5% of the price of each overnight stay. RTAs in tourist regions where the tax on lodging already applies must submit a request to the government before June 24, 2016 if they want the tax to continue to be imposed in their territory as of November 1, 2016, in which case the applicable rate will be 3.5%.

However, where a customer acquires an accommodation unit from a person who acquired the unit from another person solely to re-supply it for a price, the tax on lodging will not be 3.5% of the price of each overnight stay but, rather, $3.50 per overnight stay. In such a case, the imposition of a specific tax of $3.50 instead of an ad valorem tax of 3.5% enables the tax on lodging pre-collection system to be applied, ensuring the direct nature of the tax while simplifying its administration entrusted mainly to operators of sleeping-accommodation establishments.

For information concerning this information bulletin, contact the Secteur du droit fiscal et des politiques locales et autochtones at 418 691-2236.

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